Emakhazeni Local Municipality

Financial statements

for the year ended 30 June 2013

Municipal Manager’s approval of Annual Financial Statements

I, T.J Shoba, the Accounting Officer of Emakhazeni Local Municipality am responsible for the preparation of the Annual Financial Statements which are set out on pages 1 to 78 in terms of Section 126(1) of the Municipal Finance Management Act.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).

I certify that the salaries, allowances and benefits of Concillors as disclosed in note 26 of these Annual Financial Statements are within the upper limits of the framework as envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Beares Act No. 20 of 1998.

Furthermore, I wish to confirm that the draft AFS were submitted to the shared Audit Committee on the 20th of August 2013 and a special Audit Committee meeting was held on the 21st of August 2013 wherein the members of the Audit Committee had an opportunity to review the financial statements prior to submission to the Auditor General.

I now submit the annual financial statements and have signed them on behalf of the municipality.

T.J SHOBA	Date
Acting Municipal Manager	31 August 2013

General Information

Legal form of entity	Municipality
Municipal demarcation code	MP314
Council	
Executive Mayor	Mr XS Ngwenya
Speaker	Mr TD Ngwenya
Chief Whip	Ms M Kambula
Mayoral Committee members	Mr MU Hadebe (Chairperson Section 80 Technical & Community Services)
	Ms NA Mashele (Chairperson Section 80 Corporate Services)
	Ms ES Radebe (Chairperson Section 80 Finance and Economic Affairs)
Other council members	Ms AA Botha (Member - Proportional)
	Ms SP Gwebu . (Member - Ward 6)
	Mr RB Mashele (Member - Ward 4)
	Mr CV Lello (Member - Proportional)
	Ms BS Mabuza (Member - Proportional)
	Mr XD Masina (Member - Proportional)
	Mr SM Mondlane (Member - Ward 7)
	Ms CN Nkosi (Member - Proportional)
	Mr JJ Stevens (Member - Ward 8)
Grading of local authority	Emakhazeni is a Grade Two Local Authority
Chief Finance Officer (CFO)	Acting: Mr KS Mahlangu (15 Feb '13 - 30 Jun '13)
	Acting: Ms MD Minnaar (01 Nov '12 - 14 Feb '13)
	Acting: Ms K Ramosibi (01 July '12 - 30 Oct '12)
Accounting Officer	Acting: Ms TJ Shoba (11 Mar '23 - 30 Jun '13)
	Mr ON Nkosi (1 Jul '12 - 8 Mar '13)
Registered office	Municipal Buildings 25 Scheepers Street Belfast 1100
Contact Detail:	Tel: (013) 253 7600 E-mail: municipality@emakhazenilm.co.za
Postal address	PO Box 17 Belfast 1100
Auditors	Auditor General of SA
Capacity of local authority	Local Municipality
Attorneys	Ntuli Noble Inc
Bankers	First National Bank Branch Code: 270351 Account Number: 62028195510

Chief Financial Officer's Report

The Acting Chief Financial officer submits her report for the year ended 30 June 2013.

1. Introduction

The Budget Review for the 2012 noted that South African economy demonstrated resilience despite unsettled international economic conditions. The GDP growth for the year 2012 and 2013 were 2.5 percent and 2.8 percent respectively which was below the initial forecast of 2.7 percent in 2012 and 3.6 percent in 2013. In the second quarter of 2013.SA seasonally adjusted GDP increased by an annual rate of 3 percent quarter on quarter.

This translated to tight households' incomes and therefore a challenge to payment of municipal services as communities and households had to prioritize payment of living expenses against municipal services. This had further put pressures on Emakhazeni Local Municipality's struggling cash flow.

The municipality had to continue doing more with little as a budget principle to ensure that the municipality continued to deliver on its core mandate and achieve its developmental goals. Interventions such as cash flow management through a cash flow committee and Revenue Enhancement initiatives.

The main challenges in 2012/2013 financial year were as follows:

- Ever escalating debtors' book.
- Inability to meet municipality obligations within 30 days in compliance with Municipal Finance Management Act,
- Tariff increase in bulk purchases from Eskom,
- Inadequate funds to fill critical vacancies in finance,
- Ageing infrastructure without the cash backed capital reserves and provisions

2. Financial Review

It is a great pleasure for me to present the annual financial statement for the year ended 30 June 2013, which are attached hereto.

It is our responsibility to ensure that Annual Financial Statements of Emakhazeni Local Municipality present financial position of the municipality and the financial performance as well, as the cash flow for the financial year ended as required by Section 126 of Municipal Finance Management Act, Act No 56 of 2003.

The management and leadership of the Municipal played a significant role to fulfill this mandate and responsibility by managing limited economic resources whilst focusing on effective service delivery. It is the municipality's commitment to promote sound and good governance in pursuit of clean audit objective from Auditor General. Again, political leadership provided in this regard is commendable and appreciated.

3. Accounting Framework

A number of new GRAP Standards were introduced in the 2012/2013 financial year as approved by Accounting Standards Board.The following GRAP Standards have been fully complied with:

- GRAP 21 Impairment of non cash generating assets
- GRAP 23 Non-exchange revenue
- GRAP 24 Budget information
- GRAP 26 Impairment of cash generating assets
- GRAP 27 Agriculture
- GRAP 31 Intangible assets
- GRAP 103 Heritage assets
- GRAP 104 Financial instruments

Chief Financial Officer's Report

4. Review of Operational Results

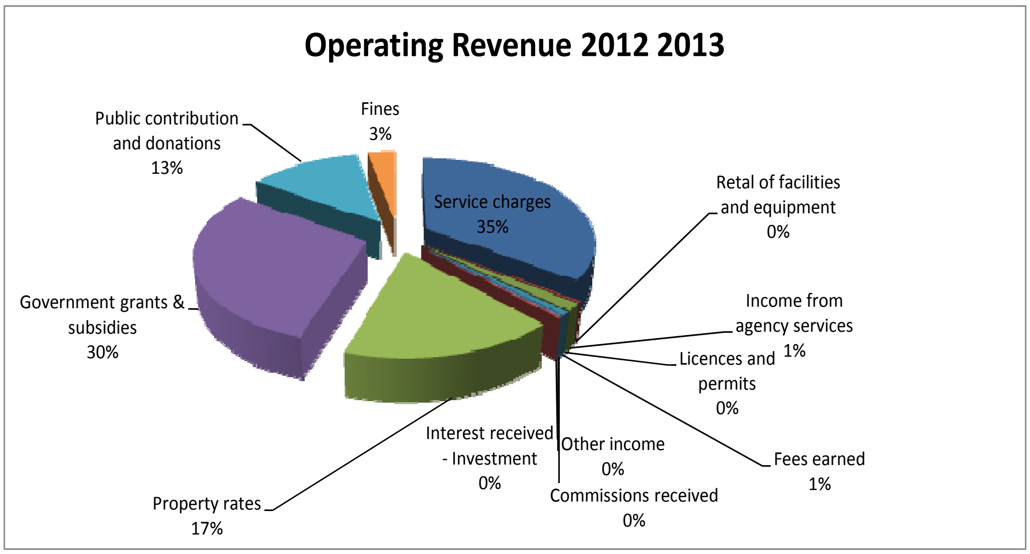
4.1 General

The 2012/2013 budget of Emakhazeni Local Municipality was approved by Council on the 28th of June 2012 and the Adjustment was approved by council on the 28th of February 2013.

Details of the 2012/2013 operating results per department and classification of revenue and expenditure are included in the statement of financial performance and Appendix D. Below is the graphical presentation of Income and Expenditure

4.2 Operating Revenue

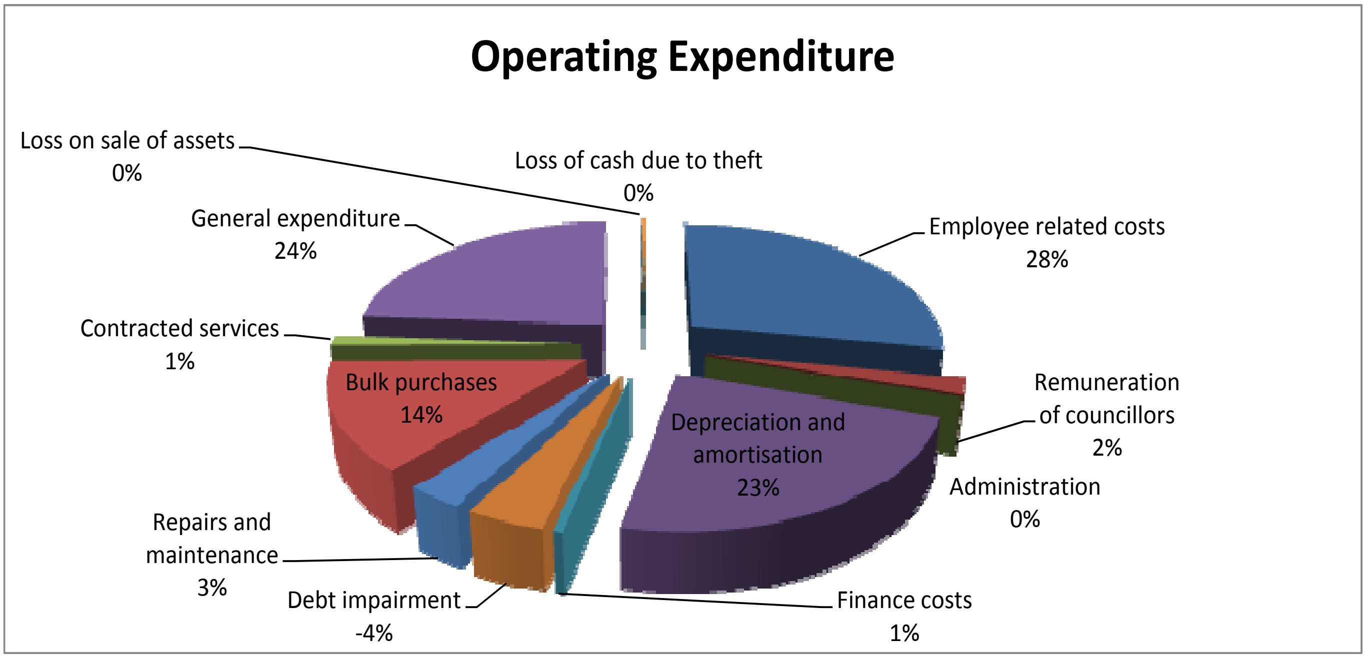
The following graph represents a breakdown of the largest categories of revenue



4.3 Operating Expenditure

The following graph represents the breakdown per main expenditure group.

Chief Financial Officer's Report



4.4 Government Grants and Subsidies

The following table shows the amounts received in terms of grants contributions and subsidies from National Government and Mpumalanga Provincial Government.

Name of Grant	Conditional or Non-conditional Grant	Amount
Equitable Share	Non-conditional	R 35 648 000
Municipal Infrastructure	Conditional	R 15 929 000
Financial Management	Conditional	R 1 500 000
Municipal Systems Improvement	Conditional	R 800 000
Expanded Public Works Programme	Conditional	R 1 000 000

5. Receivables

Details regarding the debtors are provided in Note 10 of the Notes to the Annual Financial Statements.

For the Municipality the consumer debtors increased in total with an amount of R10 million.

For the municipality a collection rate calculated on the total levies for a period compared to the total payments received during the same period is used to measure revenue recovery. The credit control policy and the actions taken in terms of the policy started producing better results,, since an average collection rate of 105.4 % was maintained by the municipality during the 2012/13 financial year.

6. Fixed Asset Register

Although it was a challenge to produce a compliant and purified asset register in the 2011/12 financial year the improvement made in 2012/13 financial year was huge compared to the previous financial years. A service provider was appointed by the District to assist the municipality with the methodology document for 2012/13 THE GRAP 17 Compliant, Asset Register as well as the Asset Management Unit and the transfer of skills. Verification, review of useful lives, impairment, etc were performed during the 2012/2013 and end of financial year to ensure a GRAP compliant fixed asset register.

Chief Financial Officer's Report

7. Treatment of the matters raised by the Auditor General during the previous Audit

The Emakhazeni Local Municipality received a qualified audit opinion for the 2011/12 financial year. The matter of qualification was the GRAP17 methodology document which could not be explained to the Auditor General. The matter has been effectively dealt with during the 2012/2013 financial year and the methodology document has been enhanced by means of documenting corroborating evidence and the thought process of the Engineers.

A high-level Operation Clean Audit (OPCA) project plan was developed. The plan sets out the steps that need to be taken into account and what needs to be in the place to ensure a clean audit report. This will be an ever evolving plan, which will be improved as the project progress and new and/ or more appropriate steps become necessary.

As part of the enhancing Operation Clean Audit the Emakhazeni Local Municipality took an initiative as an effort to monitor OPCA activities, a steering committee, chaired by Executive Mayor was established to oversee the OPCA on a strategic level and ensure a clean audit report. The functions of the steering committee include:

- Overseeing the development of an OPCA strategy
- Overseeing the development of an overall OPCA plan
- Assist in the identification of risk areas that might affect OPCA
- Risk areas to be allocated to relevant divisions and departments for prioritisation and elimination
- Division and department to present specific progress on the risk areas for the steering committee
- Monitor progress
- Sign - off on readiness for external audit purposes'

8. Appreciation

I am grateful to the Executive Mayor , Members of the Mayoral Committee, Councillors, Municipal Manager and Senior Managers for the support they have given me and my staff during the 2012/13 financial year. A sincere word of appreciation to everybody, and in particular the financial staff, for the hard work, sacrifices and concentrated efforts during the financial year to enable us to finalise and submit the Annual Financial Statements within the prescribed period of two months after year end (i.e. 30 August) as required by Section 126 of the Municipal Finance Management Act.

Ukwanda kwaliwa bathakathi bakwethu begodu umberego usaba izandla

KENNETH SIPHO MAHLANGU
ACTING CHIEF FINANCIAL OFFICER

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MIG	Municipal Infrastructure Grant (previously CMIP)
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act

Statement of Financial Position as at 30 June 2013

Figures in Rand	Note(s)	2013	Restated 2012
Assets			
Current Assets			
Cash and cash equivalents	11	6,023,396	3,025,189
Receivables from non-exchange transactions	9	554,509	31,263
Inventories	8	1,759,773	431,809
Receivables from exchange transactions	10	46,238,264	20,661,977
		54,575,942	**24,150,238**
Non-Current Assets			
Investment property	3	26,482,188	26,976,418
Property, plant and equipment	4	506,107,586	519,777,700
Heritage assets	6	-	-
Intangible assets	5	627,080	825,772
		533,216,854	**547,579,890**
Non-Current Assets		533,216,854	547,579,890
Current Assets		54,575,942	24,150,238
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**587,792,796**	**571,730,128**
Liabilities			
Current Liabilities			
Payables from exchange transactions	16	98,233,183	74,871,528
Payables from non-exchange transactions	17	500,606	544,571
Unspent conditional grants and receipts	13	11,218,245	10,765,081
VAT payable	18	5,780,640	5,039,275
Provisions	14	30,330	30,330
Post employment medical aid liability	7	10,167,000	8,179,000
Long service award	15	2,845,000	2,335,000
		128,775,004	**101,764,785**
Non-Current Liabilities		-	-
Current Liabilities		128,775,004	101,764,785
Liabilities of disposal groups		-	-
Total Liabilities		**128,775,004**	**101,764,785**
Assets		587,792,796	571,730,128
Liabilities		(128,775,004)	(101,764,785)
Net Assets		**459,017,792**	**469,965,343**
Net Assets			
Accumulated surplus		459,017,792	469,965,343

Statement of Financial Performance

Figures in Rand	Note(s)	2013	Restated 2012
Revenue			
Revenue from exchange transactions			
Service charges	21	64,057,588	55,030,972
Rental of facilities and equipment		529,314	769,740
Income from agency services		2,567,592	2,405,825
Licences and permits		32,020	36,646
Fees earned		1,278,795	680,600
Commissions received		4,055	2,782
Other income	23	430,434	1,072,270
Interest received - investment		463,559	107,594
Total revenue from exchange transactions		**69,363,357**	**60,106,429**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	31,358,480	20,438,543
Transfer revenue			
Government grants & subsidies	22	54,216,836	42,865,214
Public contributions and donations	24	23,084,969	4,608,217
Fines		5,483,026	5,142,058
Total revenue from non-exchange transactions		**114,143,311**	**73,054,032**
		69,363,357	60,106,429
		114,143,311	73,054,032
Total revenue	19	**183,506,668**	**133,160,461**
Expenditure			
Employee related costs	26	(59,210,436)	(58,734,596)
Remuneration of councillors	27	(4,484,764)	(4,256,473)
Administration	28	(10,000)	(8,592)
Depreciation and amortisation	31	(49,262,805)	(48,037,375)
Finance costs	32	(1,256,343)	(1,064,094)
Debt impairment	29	8,742,327	(8,110,426)
Repairs and maintenance		(6,453,746)	(5,696,157)
Bulk purchases	36	(29,280,762)	(29,844,270)
Contracted services	35	(2,701,959)	(2,150,476)
General expenses	25	(50,003,481)	(43,675,782)
Total expenditure		**(193,921,969)**	**(201,578,241)**
		-	-
Total revenue		183,506,668	133,160,461
Total expenditure		(193,921,969)	(201,578,241)
Operating deficit		**(10,415,301)**	**(68,417,780)**
Loss on disposal of assets		(60,000)	-
Loss of cash due to theft		(472,250)	(114,721)
		(532,250)	**(114,721)**
Deficit before taxation		(10,947,551)	(68,532,501)
Taxation		-	-
Deficit for the year		**(10,947,551)**	**(68,532,501)**

Statement of Changes in Net Assets

Figures in Rand	Appriopriation Account	Total net assets
Balance at 01 July 2011	**538,497,844**	**538,497,844**
Changes in net assets		
Surplus/(deficit) for the year	(68,532,501)	(68,532,501)
Total changes	(68,532,501)	(68,532,501)
Opening balance as previously reported for 01 July 2012	487,922,915	487,922,915
Adjustments		
Prior year adjustments (Note 41)	(17,957,572)	(17,957,572)
Restated balance as at 01 July 2012	**469,965,343**	**469,965,343**
Changes in net assets		
Surplus/(deficit) for the year	(10,947,551)	(10,947,551)
Total changes	(10,947,551)	(10,947,551)
Balance at 30 June 2013	**459,017,792**	**459,017,792**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2013	Restated 2012
Cash flows from operating activities			
Receipts			
Sale of goods and services		153,382,460	121,917,297
Grants		54,216,836	42,865,214
Interest income		463,559	107,594
		208,062,855	164,890,105
Payments			
Employee costs		(59,210,436)	(58,734,597)
Suppliers		(110,148,099)	(90,409,583)
Finance costs		(1,256,343)	(1,064,094)
		(170,614,878)	(150,208,274)
Total receipts		208,062,855	164,890,105
Total payments		(170,614,878)	(150,208,274)
Net cash flows from operating activities	37	**37,447,977**	**14,681,831**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(34,999,770)	(11,837,524)
Disposal of property, plant and equipment	4	100,000	-
Purchase of other intangible assets	5	-	(21,006)
Loss from sale of other asset		(60,000)	-
Net cash flows from investing activities		**(34,959,770)**	**(11,858,530)**
Cash flows from financing activities			
Movement in long service award		510,000	2,335,000
Finance lease payments		-	(981,039)
Net cash flows from financing activities		**510,000**	**1,353,961**
Net increase/(decrease) in cash and cash equivalents		**2,998,207**	**4,177,262**
Cash and cash equivalents at the beginning of the year		3,025,189	(1,152,073)
Cash and cash equivalents at the end of the year	11	**6,023,396**	**3,025,189**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	25,994,372	4,500,000	**30,494,372**	31,358,455	**864,083**	
Service charges	62,110,904	2,600,000	**64,710,904**	62,237,806	**(2,473,098)**	
Investment revenue	696,785	267,000	**963,785**	992,875	**29,090**	
Transfers recognised - operational	54,877,000	380,000	**55,257,000**	54,216,836	**(1,040,164)**	
Other own revenue	14,041,900	(4,054,056)	**9,987,844**	10,035,640	**47,796**	Note 44 No 1
Total Revenue (excluding capital transfers and contributions)	**157,720,961**	**3,692,944**	**161,413,905**	**158,841,612**	**(2,572,293)**	
Expenditure by type						
Employee costs	(62,067,616)	109,050	**(61,958,566)**	(59,125,338)	**2,833,228**	
Remuneration of councillors	(4,321,681)	(158,352)	**(4,480,033)**	(4,484,764)	**(4,731)**	
Debt impairment	(2,355,402)	(6,144,598)	**(8,500,000)**	8,742,327	**17,242,327**	Note 44 No 2
Depreciation & asset impairment	(2,915,119)	(46,084,881)	**(49,000,000)**	(49,262,805)	**(262,805)**	
Finance charges	(619,244)	619,244	**-**	-	**-**	
Materials and bulk purchases	(35,161,937)	-	**(35,161,937)**	(37,504,225)	**(2,342,288)**	
Transfers and grants	(15,929,000)	(380,000)	**(16,309,000)**	-	**16,309,000**	Note 44 No 3
Other expenditure	(45,010,785)	1,506,416	**(43,504,369)**	(51,006,326)	**(7,501,957)**	Note 44 No 4
Total expenditure	**(168,380,784)**	**(50,533,121)**	**(218,913,905)**	**(192,641,131)**	**26,272,774**	
Revenue	157,720,961	3,692,944	**161,413,905**	158,841,612	**(2,572,293)**	
Expenditure	(168,380,784)	(50,533,121)	**(218,913,905)**	(192,641,131)	**26,272,774**	
Other	-	-	**-**	-	**-**	
Surplus	**(10,659,823)**	**(46,840,177)**	**(57,500,000)**	**(33,799,519)**	**23,700,481**	
Contributions recognised - capital & contributed assets	-	-	**-**	22,851,960	**22,851,960**	Note 44 No 5
Surplus after capital transfers & contributions	**(10,659,823)**	**(46,840,177)**	**(57,500,000)**	**(10,947,559)**	**46,552,441**	
Surplus for the year	**(10,659,823)**	**(46,840,177)**	**(57,500,000)**	**(10,947,559)**	**46,552,441**	
Reconcilation						

Accounting Policies

1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These accounting policies are consistant with prior periods, except for the changes set out in Changes in Accounting policy note.

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statemtents
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Cost
GRAP 6	Consolidated and Seperate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contigent Liabilities and Contingent Assets
GRAP 100	Non- current Assets held for Sale and Discontinued Operations

GRAP 4, 6, 7, 10, 11 are not applicable on Emakhazeni Local Municipality.

The following GRAP standards adopted in the financial year;.

- GRAP 21 : Impairment of non cash generating assets
- GRAP 23 : Non-exchange revenue
- GRAP 24 : Budget information
- GRAP 26 : Impairment of cash generating assets
- GRAP 27 : Agriculture
- GRAP 31 : Intangible assets
- GRAP 103 : Heritage assets
- GRAP 104 : Financial instruments

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions used may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates and supply and demand, together with economic factors such as inflation and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation/ amortisation charges for property, plant and equipment and other assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7 - Employee benefit obligations.

Accounting Policies

1.1 Transfer of functions between entities under common control (continued)

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for debt impairment

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables' carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.3 Presentation of currency

These financial statements are presented in South African Rand and are rounded to the nearest Rand.

1.4 Going concern assumption

These annual financial statements have been prepared on the going concern basis.

1.5 Comparative information

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Change in accounting policy:

The adoption of GRAP Standards, it will be considered to be a change in accounting policy and therefore all the comparative information will be restated as retrospective changes will be done.

Change in accounting estimate:

All changes in accounting estimates will be prospectively changed and therefore no restatement of comparative information will be required

Errors:

All errors that are material will be corrected retrospectively and therefore all the comparative information will be restated, while non material errors will be corrected prospectively and the comparative information is therefore not restated.

1.6 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.7 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

1.7 Provisions and contingencies (continued)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

* a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurence of one or more uncertain future events not wholly within the control of the municipality; or
* a present obligation that arises from past events but is not recognised because:
  - it is not probably that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation
  - the amount of the obligation cannot be measured with sufficient reliability

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.8 Employee benefits

Short-term employee benefits

Short -term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

Short -term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees rendered the related service.

When an employee has rendered services to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for the service:

* as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
* as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of unused entitlement that has accumulated at the reporting date.

1.8 Employee benefits (continued)

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. Present obligation exists when the municipality has no realistic alternative, but to make the payments.

Other post retirement obligations

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefits are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of the expected life span. Independent qualified actuaries carry out valuations of these obligations.

The municipality has an obligation to provide long service leave benefits to all of its employees who was and is in continued service at the same employer. According to the rules of the leave policy, which the municipality instituted and operates, an employee qualifies for these long service benefits on the following periods:

* After 10 years service - 10 working days
* After 15 years service - 20 working days
* After 20 years service - 30 working days
* After 25 years service - 30 working days
* After 30 years service - 30 working days
* After 35 years service - 30 working days
* After 40 years service - 30 working days
* After 45 years service - 30 working days

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Funding Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

* the present value of the defined benefit obligation at the reporting date;
* minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

* actuarial gains and losses, which is recognised immediately
* the effect of any curtailments or settlements

1.9 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

1.9 Investment property (continued)

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Investment Property	2- 10 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The gain or loss arising from the derecognition of investment property is determined as the difference between the net disposal proceeds, if any , and the carrying amount of the investment property. Such difference is recognised in surplus or deficit when the investment property is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.10 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and
- the cost of the asset can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

1.10 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is initially carried at cost, while subsequent measurement is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment are depreciated on the straight line basis over the expected useful lives to their estimated residual value.

The residual value, the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectation differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to ammend the previous estimate unless expectation differ from the previous estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carring amount of another asset.

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The gain or loss arising from the derecognitions of property, plant and equipment is determined as the difference between the net disposal proceeds, if any , and the carrying amount of the item. Such difference is recognised in surplus or deficit when the item of property, plant and equipment is derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Assets	**Useful lives (years)**
Land	Land is not depreciated as it is regarded as having an infinite life.
Buildings	30
Infrastructure Assets	
• Electricity meters	10 - 20
• Electricity reticulation	10 - 30
• Refuse sites/ dumping sites	30
• Roads, pavements, bridges and strom water	10 - 50
• Sewerage reticulation & purification	15 - 20
• Street lighting	20 - 25
• Street names and signs	5
• Water meters	5 - 15
• Water purification	5 - 15
• Water reservoirs and reticulation	15 - 20
Community Assets	
• Cemeteries	25 - 30
• Community centers and public entertainment buildings	25 - 30

Accounting Policies

1.10 Property, plant and equipment (continued)

• Driver and vehicle testing centers	25 - 30
• Fire stations	25 - 30
• Hostels	25 - 30
• Libraries	25 - 30
• Parks and grounds	10 - 30
• Sport fields	25 - 30
• Taxi ranks	10 - 15

Other Assets

• Domestic and hostel furniture	2 - 15
• Heavy duty vehicles	5 - 10
• IT equipment	3 - 10
• Motor vehicles	5 - 10
• Office furniture and equipment	3 - 10
• Other assets	2 - 10
• Plant and equipment	2 - 15
• Radio equipment	5 - 7
• Specialised vehicles	5 - 10
• Trailers and accessories	5 - 10

1.11 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.12 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benifit of present and future generations.

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in the note for Heritage assets.

Heritage assets are measured at cost. Where a heritage asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

Subsequent to initial measurement heritage assets are carried at its cost less any accumulated impairment losses.

The municipality assesses at each reporting date whether there is an indication that a heritage asset may be impaired. If any such indications exists, the municipality estimates the recoverable amount or the recovereble service amount of the heritage asset.

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.13 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

1.13 Intangible assets (continued)

For an intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Assets	**Useful lives (years)**
Computer software	2 - 10

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.14 Impairment of cash-generating assets

Cash generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash or non-cash generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

1.14 Impairment of cash-generating assets (continued)

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

1.14 Impairment of cash-generating assets (continued)

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.15 Financial instruments

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other receivables	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other payables	Financial liabilities measured at amortised cost

Initial recognition and measurement

Initial recognition of financial assets or financial liabilities:

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial asset using trade date accounting.

Initial measurement of financial assets and financial liabilities:

1.15 Financial instruments (continued)

The municipality measures a financial asset or a financial liability, other than those subsequently measured at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial asset and financial liability initially at its fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

* a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan, or: *
non-exchange revenue, in accordance with the Standards of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
* financial instruments at fair value;
* financial instruments at amortised cost
* financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demostrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectablility of financial assets

The municipality assesses at each statement of financial position date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

1.15 Financial instruments (continued)

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the recoverable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial ssets are measured at amortised cost.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the use of an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Were financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets are measured at cost.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be meassured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to receive cash flows from the financial asset have expired, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownerhsip of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, an is able to excercise that ability unilaterially and with out needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

1.15 Financial instruments (continued)

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Receivables from exchange transactions

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. An allowance for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the statement of financial performance.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks with original maturities of three months or less, and bank overdrafts.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

1.16 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessor

Revenue for leases is disclosed under revenue in statement of financial performance.

Accounting Policies

1.16 Leases (continued)

Operating lease payments are recognised as an expense according to the signed contract.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.17 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.18 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Useful life is either:
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

1.18 Impairment of non-cash-generating assets (continued)

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Restoration cost approach

Restoration cost is the cost of restoring the service potential of a cash-generating asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.19 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of the municipality after deducting all of its liabilities.

1.20 Grants in aid

1.20 Grants in aid (continued)

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.21 Events after the reporting date

Events after the reporting date that are classified as adjustments events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements.

1.22 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

* the amount of revenue can be measured reliably;
* it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
* the stage of completion of the transaction at the reporting date can be measured reliably; and
* the costs incurred for the transaction and the costs to complete the transaction can be measured reliably

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.22 Revenue from exchange transactions (continued)

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

1.23 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, condions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

1.23 Revenue from non-exchange transactions (continued)

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Rates, including collection charges and penalties

Revenue for rates, including collection charges and penalty interest, is recognised when:
* it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
* the amount of the revenue can be measurement reliably; and
* to the extent that there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.24 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted and is expenditure that is not in terms of the conditions of an allocation received from of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.26 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Value added tax

The municipality accounts for Value Added Tax on the cash basis.

1.28 Taxation

The municipality is exempted from tax in terms of Section 10(1)cB(i)(ff) of the Income Tax Act.

1.29 Budget information

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The annual financial statements and the budget are not on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison and the reconciliation between the statement of financial performance and the budget for the reporting period have been included in the statement of comparison of budget and actual amounts.

1.30 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management is those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members whom may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.31 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are include in the disclosure notes in the following cases:

* approved and contracted commitments;
* where the expenditure has been approved and the contract has been awarded at the reporting date; and
* where disclosure is required by a specific standards of GRAP

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 23: Revenue from non-exchange transactions

Revenue from non-exchange transactions arises when the municipality receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard is not material.

GRAP 24: Presentation of budget information in the financial statements

Subject to the requirements of paragraph .19, the municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipality prepares its budget and financial statements on a comparable basis, it includes the comparison as an additional column in the primary financial statements. Where the budget and financial statements are not prepared on a comparable basis, a separate statement is prepared called the ‘Statement of Comparison of Budget and Actual Amounts’. This statement compares the budget amounts with the amounts in the financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 103: Heritage assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Notes to the Financial Statements

2. New standards and interpretations (continued)

A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the municipality and the assets.

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the criteria beacause it cannot be reliably measured, information on such heritage asset is disclosed in the notes to the financial statements.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, the municipality has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP 103 states that a heritage asset should not be depreciated but the municipality should assess at each reporting date whether there is an indication that it may be impaired.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset’s deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The municipality should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the municipality applies the applicable Standard of GRAP to that asset up to the date of change. The municipality treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:
- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Notes to the Financial Statements

2. New standards and interpretations (continued)

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

Notes to the Financial Statements

2. New standards and interpretations (continued)

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 104: Financial instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, the municipality considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where the municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practice or legislation.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. The municipality measures a financial instrument at fair value if it is:
- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and

2. New standards and interpretations (continued)

- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, the municipality can however designate such an instrument to be measured at fair value.

The municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once the municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

The municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, the municipality has transferred control of the asset to another municipality.

The municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

The municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for the municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that the municipality is exposed to as a result of its financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 1 (as revised 2012): Presentation of financial statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments are to be applied retrospectively.

The effective date of the amendments is for years beginning on or after 01 April 2013

The municipality has early adopted the amendments for the first time in the 2013 financial statements.

The impact of the amendments is not material.

GRAP 3 (as revised 2012): Accounting policies, change in accounting estimates and errors

Amendments were made to Changes in Accounting Policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Change in Accounting Estimates and Errors (as revised in 2010).

Notes to the Financial Statements

2. New standards and interpretations (continued)

The effective date of the amendments is for years beginning on or after 01 April 2013

The municipality has early adopted the amendments for the first time in the 2013 financial statements.

The impact of the amendments is not material.

GRAP 7 (as revised 2012): Investments in associates

Amendments were made to definitions. A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates.

All amendments are to be applied prospectively.

The effective date of the amendments is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendments for the first time in the 2013 financial statements.

The impact of the amendments is not material.

GRAP 9 (as revised 2012): Revenue from exchange transactions

Amendments were made to the scope and definitions.

All amendments are to be applied retrospectively.

The effective date of the amendments is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendments for the first time in the 2013 financial statements.

The impact of the amendments is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments are to be applied retrospectively.

The effective date of the amendments is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendments for the first time in the 2013 financial statements.

The impact of the amendments is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments are to be applied retrospectively.

The effective date of the amendments is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendments for the first time in the 2013 financial statements.

The impact of the amendments is not material.

GRAP 16 (as revised 2012): Investment property

Notes to the Financial Statements

2. New standards and interpretations (continued)

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP Investment Property (as revised 2010) to ensure consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments are to be applied prospectively.

The effective date of the amendments is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendments for the first time in the 2013 financial statements.

The impact of the amendments is not material.

GRAP 17 (as revised 2012): Property, plant and equipment

Amendments were made to measurement after recognition, derecognition and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substence. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments are to be applied prospectively.

The effective date of the amendments is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendments for the first time in the 2013 financial statements.

The impact of the amendments is not material.

GRAP 27 (as revised 2012): Agriculture (replaces GRAP 101)

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27).

The effective date of the amendments is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendments for the first time in the 2013 financial statements.

The impact of the amendments is not material.

GRAP 31 (as revised 2012): Intangible assets (replaces GRAP 102)

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

Changes made comprise three areas that can be summarised as follows:
- consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- the deletion of guidance and examples from interpretations issues by the International Accounting Standards Board (IASB) previously included in GRAP102,
- changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments are to be applied retrospectively.

The effective date of the amendments is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendments for the first time in the 2013 financial statements.

It is unlikely that the amendments will have a material impact on the municipality's financial statements.

2. New standards and interpretations (continued)

IGRAP16: Intangible assets website costs

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirement of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality has early adopted the interpretation for the first time in the 2013 financial statements.

The impact of the interpretation is not material.

2.3 Standards and interpretations not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2013 or later periods:

GRAP 25: Employee benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires the municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
  - all short-term employee benefits;
  - short-term compensated absences;
  - bonus, incentive and performance related payments;
- post-employment benefits: Defined contribution plans;
- other long-term employee benefits;
- termination benefits.

The major difference between this Standard (GRAP 25) and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occured.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 105: Transfers of functions between entities under common control

Notes to the Financial Statements

2. New standards and interpretations (continued)

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between entities under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

For transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between entities not under common controlt

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, no aqcuirer can be indentified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

2. New standards and interpretations (continued)

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

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The standard states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard sets out the requirements, inter alia, for the disclosure of:
- control;
- related party transactions; and
- remuneration of management

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate..

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance..

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods but are not relevant to its operations:

GRAP 18: Segment reporting

Notes to the Financial Statements

2. New standards and interpretations (continued)

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue

This Interpretation of the Standards of GRAP now addresses the manner in which a municipality applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This interpretation supersedes the interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

The impact of this amendment is currently being assessed.

Figures in Rand	2013	2012

3. Investment property

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	27,148,694	(666,506)	26,482,188	27,148,694	(172,276)	26,976,418

Reconciliation of investment property - 2013

	Opening balance	**Depreciation**	**Total**
Investment property	26,976,418	(494,230)	26,482,188

Reconciliation of investment property - 2012

	Opening balance	**Depreciation**	**Total**
Investment property	27,033,895	(57,477)	26,976,418

Restrictions on the reliabilities of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

4. Property, plant and equipment

	2013			2012		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	77,465,000	-	77,465,000	77,565,000	-	77,565,000
Buildings	35,793,559	(4,476,327)	31,317,232	30,651,111	(3,358,202)	27,292,909
Infrastructure	511,135,540	(169,526,978)	341,608,562	477,696,757	(126,639,144)	351,057,613
Community	38,752,870	(4,525,228)	34,227,642	38,752,870	(3,394,888)	35,357,982
MIG Work in progress	3,456,040	-	3,456,040	10,530,650	-	10,530,650
Other property, plant and equipment	34,218,451	(16,185,341)	18,033,110	30,725,302	(12,751,757)	17,973,545
Total	**700,821,460**	**(194,713,874)**	**506,107,586**	**665,921,691**	**(146,143,991)**	**519,777,700**

Notes to the Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Land	77,565,000	-	(100,000)	-	-	77,465,000
Buildings	27,292,909	5,142,448	-	-	(1,118,125)	31,317,232
Infrastructure	351,057,613	13,564,773	-	19,874,010	(42,887,834)	341,608,562
Community	35,357,982	-	-	-	(1,130,340)	34,227,642
MIG Work in progress	10,530,650	12,799,400	-	(19,874,010)	-	3,456,040
Other property, plant and equipment	17,973,545	3,493,149	-	-	(3,433,584)	18,033,110
	519,777,699	**34,999,770**	**(100,000)**	**-**	**(48,569,883)**	**506,107,586**

Reconciliation of property, plant and equipment - 2012

	Restated opening balance (Cost)	Additions	Acc Depreciation	Total
Land	77,565,000	-	-	77,565,000
Buildings	28,413,330	-	(1,120,421)	27,292,909
Infrastructure	393,298,471	-	(42,240,858)	351,057,613
Community	36,490,643	-	(1,132,661)	35,357,982
MIG Work in progress	1,502,997	9,027,653	-	10,530,650
Other property, plant and equipment	16,927,512	4,334,851	(3,288,818)	17,973,545
	554,197,953	**13,362,504**	**(47,782,758)**	**519,777,699**

Figures in Rand	2013	2012

4. Property, plant and equipment (continued)

Additional information

An attachment of moveable property was made by the sheriff on Municipal assets in terms of a court order in relation to the payment of a judgement in favour of the Municipal Employee Pension Fund. The attachment will remain in effect until the entire amount of R 3,151,603 as per the court order has been settled. THe carrying value of assets are as follows:

Other Assets	9,389,931	9,389,931

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Cash deposits were received from the Department of Sports and Recreation and Department of Education to secure the purchase of property.

5. Intangible assets

	2013			2012		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	1,746,806	(1,119,726)	627,080	1,746,806	(921,034)	825,772

Reconciliation of intangible assets - 2013

	Opening balance	**Amortisation**	**Total**
Computer software	825,772	(198,692)	627,080

Reconciliation of intangible assets - 2012

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	1,001,905	21,006	(197,139)	825,772

6. Heritage assets

Heritage assets which fair values cannot be reliably measured

Berg-en-dal monument

The following heritage assets were not recognised due to a reliable measurement not being possible on initial recognition: Berg-en-dal Monument is located just outside Emakhazeni (Belfast) on the N4 road towards Nelspruit. Erected in 1935, the monument honors those killed at the Battle of Berg-en-dal in Belfast, one of the largest battles of the Anglo-Boer War (1899-1902) in South Africa.

Notes to the Financial Statements

Figures in Rand	2013	2012

7. Post employment medical aid liability

Medical Scheme Arrangements

The municipality offers employees and continuation members (pensioners) the oppurtunity of belonging to one of several approved medical aid schemes, most of wich offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Contribution rate structure

Members contribute according to tables of contribution rates wich differentiate between them on the type and number of dependants. Some options also differentiatie on the basis of income.

Subsidy arrangements

The municipality has agreed to subsidise the medical aid contributions of the retired members in the following way:
- all new pensioners will revieve a 60% subsidy subject to the maximum amount of R3,557.65 per month per emoloyee for 2013 (R3,440 in 2012);
- some continuation members that were retired prior to the introduction of the current policy will receive a 70% subsidy; and
- the maximum subsidy is expected to increase at 75% of inflation

The amounts recognised in the statement of financial position are as follows:

	2013	2012
Carrying value		
Present value of the defined benefit obligation	10,167,000	8,179,000

Changes in the present value of the defined benefit obligation are as follows:

	2013	2012
Opening balance	8,179,000	5,981,000
Current service cost	630,000	441,000
Interest cost	661,000	521,000
Benefits paid	(221,380)	(204,638)
Actuarial loss/ (gain)	918,380	1,440,638
Closing balance	**10,167,000**	**8,179,000**

Net expense recognised in the statement of financial performance

	2013	2012
Current service cost	630,000	441,000
Interest cost	661,000	521,000
Actuarial (gains) losses	918,380	1,440,638
Total included in employee related costs	**2,209,380**	**2,402,638**

Figures in Rand	2013	2012

7. Post employment medical aid liability (continued)

Key assumptions used

	2013	2012
Discount rates used	7.89 %	7.92 %
Consumer price inflation	6.14 %	5.74 %
Medical aid contribution inflation	7.14 %	6.74 %
Maximum subsidy increase rate	0.70 %	1.11 %

DIscount rate

IAS 19 defines the determination of the discount rate assumption to be used as the rate that can be determinded by reference to market yields at the financial position date on high quality corporate bonds. In countries were there is no deep market in such bonds, the market yields (at financial position date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations.

The discount rate was therefore set as the yield of the R186 South African government bond as the valuation date . In the event that the valuation is performed prior to the effective valuation date. The actual yield on the R186 bond was sourced from the RMB Global Markets website on the 12th of June 2013.

Medical aid inflation

The medical aid inflation rate was reference to the past relationship between CPI and medical aid contribution rate inflation. We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields (R186) and the current index-linked yield (R197).

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical shemes contribution inflation outstripped general CPI by almost 3% year on year. The current year's actuaries do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflatin by 1% per annum over the foreseeable future.

Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicity allows for ill-health and early retirements.

Other assumptions

The effect of an increase of one percentage pont and the effect of a decrease of one percentage point in the assumed medical cost trend rates on the following would be:

	One percentage point increase	**One percentage point decrease**
Total accrued liability	11,212,000	8,964,000
Interest cost	907,000	721,000
Service cost	901,000	664,000

The amounts for the current annual reporting period and previous reporting period:

	30 June 2013	**30 June 2012**
Present value of obligation	10,167,000	8,179,000

Notes to the Financial Statements

Figures in Rand	2013	2012

8. Inventories

Water	64,983	55,720
Inventory	1,694,790	376,089
	1,759,773	**431,809**

9. Receivables from non-exchange transactions

Government grants and subsidies spend but not yet received	443,372	-
Other receivables from non-exchange revenue	79,409	1,035
Employee receivables	31,728	30,228
	554,509	**31,263**

10. Consumer receivables

Gross balances		
Other receivables	1,524,731	1,859,862
Consumer receivables	103,944,656	86,775,564
	105,469,387	**88,635,426**
Less: Allowance for impairment		
Consumer receivables	(59,231,123)	(67,973,449)
Net balance		
Other receivables	1,524,731	1,859,862
Consumer receivables	44,713,533	18,802,115
	46,238,264	**20,661,977**
Other receivables		
> 365 days	1,524,731	1,859,862
Gross Consumer receivables		
Current (0 -30 days)	7,473,355	5,838,860
31 - 60 days	3,674,967	4,001,192
61 - 90 days	3,146,932	2,794,084
91 - 120 days	2,708,281	2,792,390
121 - >365 days	86,941,121	71,349,038
	44,713,533	**18,802,115**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(67,973,449)	(59,863,023)
Reversal/contributions to provision	8,742,326	(8,110,426)
	(59,231,123)	**(67,973,449)**

The following councilors consumer debtor's receivable's owing at 30 June 2013:

T.D. Ngwenya	(Account nr 1205334)	R	331.40
M.. Hadebe	(Account nr 0211284)	R	626.04
E.S. Radebe	(Account nr 1206585)	R	311.50
S.M. Mondlane	(Account nr 1511309)	R	348.69

Figures in Rand	2013	2012

10. Consumer receivables (continued)

B.S. Mabuza	(Account nr 1205790)	R 190.89
C.V. Lello	(Account nr 116092)	R 750.87
C.N. Nkosi	(Account nr 01175)	R 3.84
X.D. Masina	(Account nr 1215365)	R 3,828.10

11. Cash and cash equivalents

Cash and cash equivalents consist of:

	2013	2012
Cash on hand	15,976	15,976
Bank	467,660	344,587
Short-term deposits	5,539,760	2,664,626
	6,023,396	**3,025,189**

Cash and cash equivalents pledged as guarantee

	2013	2012
Total financial assets pledged as guarantee for Eskom	26,300	26,300
Debt factoring arrangement in which the financial counter parties retain recourse in the event of receivables default		

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	**30 June 2012**	**30 June 2011**	**30 June 2013**	**30 June 2012**	**30 June 2011**
FIRST NATIONAL BANK - CHEQUE ACC - 62028195510	463,618	506,819	(1,019,075)	586,536	360,564	(1,187,777)
FIRST NATIONAL BANK - CALL ACC - 61165004600	2,175	4,025	1,568	2,175	4,025	1,568
FIRST NATIONAL BANK - 32-DAY ACC- 74006889065	2,000	2,000	2,000	2,000	2,000	2,000
FIRST NATIONAL BANK - CALL ACC - 62178430212	5,422,255	2,647,870	2,839	5,422,255	2,647,870	2,839
FIRST NATIONAL BANK - CALL ACC - 62076419508	113,329	10,730	13,321	10,730	10,730	13,321
Total	**6,003,377**	**3,171,444**	**(999,347)**	**6,023,696**	**3,025,189**	**(1,168,049)**

12. Finance leases obligation

Summary of Finance Leases	2013	2012
Opening balance	-	981,039
Amount paid	-	(981,039)
	-	**-**

Notes to the Financial Statements

Figures in Rand	2013	2012

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2013	2012
Municipal Infrastructure Grant	11,150,940	10,558,081
Municipal Systems Improvement Grant	-	207,000
EPWP Grant	67,305	-
	11,218,245	**10,765,081**

See note 22 for reconciliation of grants from National/Provincial Government.

14. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Total
Other provisions	30,330	30,330

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Other provisions	-	30,330	30,330

The provision for the rehabilitation of the Landfill sites are done to ensure that when the Landfill sites need to be rehabilitated a provision is made with in that regard. There is a small uncertainty towards the time frame of the rehabilitation, but not to big as the rehabilitation are expected in the near future.

Legal proceedings provisions

During the prior year a driver of the municipality was involved in an accident with an AFGRI (Pty) Ltd vehicle while driving a municipal vehicle. As a result of the collition AFGRI (Pty) Ltd suffered damages to the value of R 30,330. There is uncertainty toward the outflow of this provision as the timing is uncertain. The outflow will happen as and when it is needed.

15. Long service award

Long service award arrangements

As per government gazette an employee shall qualify long service reward in terms of leave days credits for the various periods of continuous service completed at the same employer as follows:
* After 10 years of service - 10 working days
* After 15 years of service - 20 working days
* After 20 years of service - 30 working days
* After 25 years of service - 30 working days
* After 30 years of service - 30 working days
* After 35 years of service - 30 working days
* After 40 years of service - 30 working days
* After 45 years of service - 30 working days

The leave mentioned may be wholly or partially converted (per day) on the date on wich an employee qualifies or at any stage thereafter .
Long service benefits are awarded in the form of a number of leave days awarded once the employee completes a certain number of years in service.

Valuation of assets

Notes to the Financial Statements

Figures in Rand	2013	2012

15. Long service award (continued)

The long service leave awards liability of the municiplaity is unfunded. No dedicated assets have been set aside to meet this number of years in service.

The amounts recognised in the statement of financial posisiton are as follows:

Carrying value	**30 June 2013**	**30 June 2012**
Present value	2,845,000	2,335,000

Changes in the present value of the defined benefit obligation are as follows:

	30 June 2013	**30 June 2012**
Opening balance	2,335,000	1,830,000
Current service cost	308,000	246,000
Interest cost	192,000	163,000
Benefits paid	(201,000)	(135,000)
Actuarial loss / (gain)	211,000	231,000
	2,845,000	**2,335,000**

Net expenses recognised in the statement of financial performance

	30 June 2013	**30 June 2012**
Current service cost	308,000	246,000
Interest cost	192,000	163,000
Actuarial loss / (gain)	211,000	231,000
	711,000	**640,000**

Key assumptions

	30 June 2013	**30 June 2012**
Discount rate	7.40 %	7.92 %
Consumer price inflation	6.00 %	5.74 %
Normal salary increase rate	6.66 %	6.74 %
Net effective discount rate	0.69 %	1.11 %
	20.75 %	**21.51 %**

Sub-heading

The effect of a 1% p.a. change in the normal salary inflation assumptions are as follows:

	One percentage point increase	**One percentage point decrease**
Total accrued liability	3,100,000	2,619,000
Current service cost	400,000	325,000
Interest cost	237,000	198,000
	3,737,000	**3,142,000**

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at wich salaries increase will thus have a direct effect on the long service awards liability.

The interest cost is based on the discount rate assumptin for the current valuation wich is based on one point on the curve.

The liability amounts for the current annual reporting period and previous reporting period are as follows:

Notes to the Financial Statements

Figures in Rand	2013	2012

15. Long service award (continued)

	30 June 2013	30 June 2012
Present value of obligation	2,845,000	2,335,000

16. Payables from exchange transactions

Trade payables	44,313,900	41,593,569
Unallocated receipts	1,534,635	1,636,126
Other	-	114,721
Deferred revenue	11,618,237	11,513,850
Unallocated receipts	7,645,032	7,068,881
Retention	1,060,255	611,993
Employee accrual	472,937	216,832
Leave pay provision	4,464,715	3,377,831
Landfill site rehabilitation	27,123,472	8,737,725
	98,233,183	**74,871,528**

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17. Payable from non-exchange transactions

Advance receipts - transfers	176,264	220,229
Other payables from non-exchange transactions	324,342	324,342
	500,606	**544,571**

18. VAT payable

VAT receivable	(37,503,019)	(38,071,969)
VAT payable	43,283,659	43,111,244
Net VAT Payable	**5,780,640**	**5,039,275**

19. Revenue (excl Interest & other revenue)

Service charges	64,057,588	55,030,972
Rental of facilities and equipment	529,314	769,740
Income from agency services	2,567,592	2,405,825
Licences and permits	32,020	36,646
Fees earned	1,278,795	680,600
Commissions received	4,055	2,782
Other income	430,434	1,072,270
Interest received - investment	463,559	107,594
Property rates	31,358,480	20,438,543
Government grants & subsidies	54,216,836	42,865,214
Public contributions and donations	23,084,969	4,608,217
Fines	5,483,026	5,142,058
	183,506,668	**133,160,461**

Notes to the Financial Statements

Figures in Rand	2013	2012

19. Revenue (excl Interest & other revenue) (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	64,057,588	55,030,972
Rental of facilities and equipment	529,314	769,740
Income from agency services	2,567,592	2,405,825
Licences and permits	32,020	36,646
Fees earned	1,278,795	680,600
Commissions received	4,055	2,782
Other income	430,434	1,072,270
Interest received - investment	463,559	107,594
	69,363,357	**60,106,429**

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	31,358,480	20,438,543
Government grants & subsidies	54,216,836	42,865,214
Public contributions and donations	23,084,969	4,608,217
Fines	5,483,026	5,142,058
	114,143,311	**73,054,032**

20. Property rates

Rates received

Residential	31,358,480	20,438,543

21. Service charges

Sale of electricity	36,926,649	30,553,364
Sale of water	12,544,690	11,199,709
Sewerage and sanitation charges	7,254,609	6,494,537
Refuse removal	7,331,640	6,783,362
	64,057,588	**55,030,972**

Figures in Rand		2013	2012

22. Government grants and subsidies

Equitable share		33,750,000	30,505,638
Equitable share Councillors		1,898,000	1,056,000
Financial Management Grant		1,500,000	1,250,000
Municipal Systems Improvement Grant		800,000	790,000
Municipal Infrastructure Grant		15,336,141	8,515,158
DCSR Libraries Grant		-	15,418
Expanded Public Works Program Incentive Grant		932,695	391,000
Integrated National Electrification Grant		-	342,000
		54,216,836	**42,865,214**

Housing Project

Balance unspent at beginning of year		-	639,106
Current year receipts		2,936,718	932,865
Conditions met - expenditure		(2,936,718)	(899,078)
Prior year error correction	(Note 41)	-	(672,893)
Restated closing balance		**-**	**-**

Emakhazeni is acting as an agent on behalf of the Department of Human Settlement with regard to this subsidy by receiving the subsidy on behalf of the contractor and paying the contractor on behalf of the department.

Municipal Infrastructure Grant

Balance unspent at beginning of year		10,558,081	5,595,370
Current year receipts		15,929,000	13,131,000
Conditions met transferred to revenue		(15,336,141)	(8,515,158)
MIG money paid back to Treasury (by means of withholding of funds)		-	(2,438,918)
Prior year error correction	(Note 41)	-	2,785,787
Accumulative Rollover		**11,150,940**	**10,558,081**

This grant is a conditional grant. The purpose of this grant is for the construction and upgrade of infrustucture to a basic level to ensure service delivery.

Conditions still to be met in terms of upgrading existing infratructure to basic levelsensure service delivery to community - remain liabilities (see note 13).

The unspent rollover of R 10,178 million is committed to be repaid to National Revenue Fund as from July 2013 until June 2014 (by means of withholding of funds) in three equal installments.

Financial Management Grant

Balance unspent at beginning of year	-	64,848
Current year receipts	1,500,000	1,250,000
Conditions met - transferred to revenue	(1,500,000)	(1,250,000)
FMG money paid back to Treasury (by means of withholding of funds)	-	(64,848)
Rollover	**-**	**-**

This grant is a conditional grant. This grant is for the purpose to assist in financial management of the Financial department within a muncipality.

Municipal Systems Improvement Grant

Balance unspent at beginning of year	207,000	222,672

Notes to the Financial Statements

Figures in Rand		2013	2012

22. Government grants and subsidies (continued)

Current year receipts		800,000	790,000
Conditions met - transferred to revenue		(800,000)	(790,000)
MSIG money paid back to Treasury (by means of withholding of funds)		-	(7,872)
MSIG money refunded to National Revenue Fund		(207,000)	-
Prior year error correction	(Note 41)	-	(7,800)
Rollover		**-**	**207,000**

This is a conditional grant. The purpose of this grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systes Act of 2000.

Expanded Public Works Programme

Current year receipts	1,000,000	391,000
Conditions met - transferred to revenue	(932,695)	(391,000)
Rollover	**67,305**	**-**

This is a conditional grant. The purpose of this grant to create temporary work opportunities and income for unemployed community members.

Conditions still to be met is to provide temporary work opportunities for unemployed community members - remain liabilities (see note 13).

Integrated National Electrification Grant

Current year receipts	-	342,000
Conditions met - transferred to revenue	-	(342,000)
Rollover	**-**	**-**

DCSR Grant

Balance unspent at beginning of year	-	15,418
Conditions met - transferred to revenue	-	(15,418)
Rollover	**-**	**-**

23. Other income

Sale of property	-	110,000
Sundry revenue	188,687	901,582
Contribution member medical aid	24,064	24,411
Membership fees	6,633	5,733
Pre-paid meters	-	30,544
Contribution to bulk services	10,050	-
Long service award movement	201,000	-
	430,434	**1,072,270**

24. Donations

In kind: Other assets	3,040,300	3,959,258
Cash: Youth summit	13,000	463,926
Cash: Madala/Paardeplaas project	220,008	185,033
In kind: Inventory	1,083,920	-
In kind: Infrastructure assets	18,727,741	-
	23,084,969	**4,608,217**

Notes to the Financial Statements

Figures in Rand	2013	2012

25. General expenses

Actuarial loss	1,129,380	-
Advertising	166,888	210,534
Auditors remuneration	2,346,526	1,867,016
Bank charges	682,036	569,391
Information books	80,186	105,933
Cleaning	82,864	81,513
Community development and training	432,970	749,249
Consulting and professional fees	2,911,179	5,504,255
Donations	34,054	395,451
Entertainment	113,942	557,092
Free basic services	1,813,094	1,393,244
Fuel and oil	3,036,800	2,804,054
Milk and water sample testings	478,903	217,327
IDP expenditure	449,752	683,806
Insurance	543,411	1,576,694
Indigent fund	1,616,060	2,404,041
IT Expenses	113,446	376,059
Licenses fees	1,075,461	726,876
Water manufacturing expenses	6,474,657	5,072,179
Material and Stock	42,230	52,159
Other expenses	1,012,760	1,524,303
Postage and courier	19,182	13,629
Printing and stationery	1,335,465	1,040,602
Promotions	2,445	16,040
Rebates on assessment rates	70,315	756,109
Refuse	33,829	40,583
Rental expenses	1,043,576	861,198
Rehabilitation landfill site (sites not licensed)	18,385,765	8,737,725
Subscriptions and membership fees	76,649	465,933
Telephone and fax	1,406,119	1,564,393
TMT expenditure	2,670,940	2,987,425
Tollgate	58,739	51,781
Training	262,788	263,050
Valuations	1,070	6,406
Employee improvement expenditure	-	(268)
	50,003,481	**43,675,782**

In terms of Sec 125 (c) of MFMA the Audit Fees not yet paid on 30 June 2013 amounted to R 1,177,506.

Consulting and professional fees are made up of the following services:	2012/2013	2011/2012
* Economic services	R 335,712	R 74,386
* Engineering services	R 2,575,467	R 5,429,869

Figures in Rand	2013	2012

26. Employee related costs

Basic	33,571,885	29,388,461
Bonus	2,355,516	2,263,442
Medical aid - company contributions	2,217,293	1,839,517
UIF	348,702	310,298
Skills Development Levy	473,247	816,001
Leave pay provision charge	1,528,314	559,600
SALGBC	23,365	16,078
Group & Provident Fund	26,755	24,827
Retirement benefit - Medical aid	1,438,587	6,431,908
Pension	6,793,149	6,157,832
Travel, motor car, accommodation, subsistence and other allowances	534,854	385,154
Overtime payments	3,080,441	2,656,888
Long-service awards	500,000	2,335,000
Standby allowances	236,325	160,888
Car allowances	4,714,033	4,063,800
Housing benefits and allowances	47,588	56,819
PMU salaries	796,450	749,405
Acting allowances	523,932	518,678
	59,210,436	**58,734,596**

In terms of Sec 125 (c) of MFMA the following amounts are still outstanding as at 30 June 2013:
PAYE: R 7 437 769.08
Pension fund contributions: R 178 291.37
Medical aid contributions: R 515 288.79

Remuneration of ON Nkosi - Municipal Manager

Annual remuneration	313,897	409,281
Car allowance	131,031	196,547
Contributions to UIF, medical and pension funds	85,975	119,328
SALGBC & skills development contributions	4,827	6,942
Leave paid	61,192	101,025
Back pay	-	43,296
	596,922	**876,419**

The expenditure of the Municipal Manager is included under Employee related cost - this is only a breakdown.

Mr ON Nkosi served as Municipal Manager from 01/07/2012 to 08/03/2013.

Remuneration of TJ Shoba - Acting Municipal Manager

Annual remuneration	372,715	369,213
Car allowance	125,300	125,300
Contributions to UIF, medical and pension funds	117,688	82,724
SALGBC & skills development contributions	5,614	4,813
Acting Allowance	47,562	-
Back pay	27,486	34,637
	696,364	**616,687**

Mrs TJ Shoba has been Acting Municipal Manager since 09/03/2013. Until this time she was serving as the Corporate Services Manager.

The expenditure of the Acting Municipal Manager is included under Employee related cost - this is only a breakdown.

Figures in Rand	2013	2012

26. Employee related costs (continued)

Remuneration of SA Khumalo - Technical Services Manager

Annual remuneration	345,717	319,050
Car allowance	162,983	162,983
Acting allowance	-	13,667
Contributions to UIF, medical and pension funds	106,823	98,494
SALGBC & skills development contributions	5,141	4,905
Back pay	27,486	34,637
	648,150	**633,736**

The expenditure of the Technical Services Manager Manager is included under Employee related cost - this is only a breakdown.

Remuneration of N Singh - Community Services Manager

Annual remuneration	353,172	135,853
Car allowance	150,077	62,532
Telephone allowance	7,804	-
Contributions to UIF, medical and pension funds	112,430	43,391
SALGBC & skills development contributions	5,224	2,032
Back pay	27,486	14,432
	656,193	**258,240**

The expenditure of the Community Services Manager is included under Employee related cost - this is only a breakdown.

Remuneration of IM Abdullah - Acting Corporate Services Manager

Acting allowance	31,693	-

Mr IM Abdullah has been Acting Corporate Services Manager since 09/03/2013.

The expenditure of the Acting Corporate Services Manager is included under Employee related cost - this is only a breakdown.

Remuneration of MJ Maake - Chief Financial Officer

Annual remuneration	152,371	229,113
Contributions to UIF, medical and pension funds	19,960	59,506
SALGBC & skills development contributions	1,506	2,199
	173,837	**290,818**

Mr MJ Maake served as Chief Financial Officer from 01/07/2012 to 03/09/2012.

The expenditure of the Chief Financial Officer is included under Employee related cost - this is only a breakdown.

Remuneration of MD Minnaar - Acting Chief Financial Officer

Acting allowance	25,347	-

Mrs MD Minnaar served as Acting Chief Financial Officer from to 01/11/2012 to 14/02/2013.

The expenditure of the Chief Financial Officer is included under Employee related cost - this is only a breakdown.

Remuneration of KA Ramosibi - Acting Chief Financial Officer

Notes to the Financial Statements

Figures in Rand	2013	2012

26. Employee related costs (continued)

Acting allowance	46,481	-

Ms KA Ramosibi served as Acting Chief Financial Officer from 01/07/2012 to 30/10/2012.

The expenditure of the Chief Financial Officer is included under Employee related cost - this is only a breakdown.

27. Remuneration of councillors

Speaker	4,484,764	4,256,473

Executive Mayor	Annual remuneration	Telephone allowance	Vehicle allowance	Housing allowance	Backpay	Company contributions
Ngwenya XSH	319,105	19,356	149,531	35,000	16,272	88,103

Executive Committee	Annual remuneration	Telephone allowance	Vehicle allowance	Housing allowance	Backpay	Company contributions
Hadebe MU	256,172	19,356	112,737	-	12,333	74,752
Mashele NA	267,370	19,356	112,737	-	12,333	63,893
Radebe ES	277,419	19,356	112,737	-	12,333	53,771
	800,961	**58,068**	**338,211**	**-**	**36,999**	**192,416**

Speaker	Annual remuneration	Telephone allowance	Vehicle allowance	Housing allowance	Backpay	Company contributions
Ngwenya TD	279,885	19,356	120,096	29,000	13,121	44,512

Councillors	Annual remuneration	Telephone allowance	Vehicle allowance	Housing allowance	Backpay	Company contributions
Botha AA	113,904	12,072	45,621	-	5,051	18,046
Gwebu SP	91,565	12,072	45,621	-	5,051	40,546
Kambula M	153,575	12,072	-	-	5,051	23,800
Lello CV	113,904	12,072	45,621	-	5,051	18,046
Mabuza BS	113,904	12,072	45,621	-	5,051	18,046
Mashele RB	137,763	12,072	-	-	5,051	39,426
Masina XD	113,904	12,072	45,621	-	5,051	18,046
Mondlane SM	153,575	12,072	-	-	5,051	23,800
Nkosi CN	145,088	12,072	-	-	5,051	32,348
Stevens JJ	85,508	12,072	45,621	-	5,051	46,103
	1,222,690	**120,720**	**273,726**	**-**	**50,510**	**278,207**

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

28. Administrative expenditure

Administration and management fees - third party	10,000	8,592

29. Debt impairment

Contributions to debt impairment provision	(8,742,327)	8,110,426

Notes to the Financial Statements

Figures in Rand	2013	2012

30. Investment revenue

Interest revenue		
Interest on cheque account	2,347	7,906
Interest on investment account	461,212	99,688
	463,559	**107,594**

The amount included in Investment revenue arising from exchange transactions amounted to R 463 559.

31. Depreciation and amortisation

Property, plant and equipment	48,569,884	47,782,758
Investment property	494,229	57,478
Intangible assets	198,692	197,139
	49,262,805	**48,037,375**

32. Finance costs

Interest paid	1,256,343	1,064,094

33. Auditors' remuneration

Fees	2,346,526	1,867,016

In terms of Sec 125 (c) of MFMA the Audit Fees not yet paid on 30 June 2013 R1,177,506.

34. Operating lease

A lease contract was entered into between the municipality and Ms AD Nel for the lease of a premises. The premises is leased to facilitate the municipality's Technical services offices. The lease period is for 5 years with 6.5% yearly lease payment escalation.

Minimun lease payments due		
- within one year	370,502	347,890
- in second to fifth year inclusive	-	380,503
	370,502	**728,393**

A lease contract was entered into between the municipality and Mpumalanga Copiers for the rental of photocopier machines. This lease is for the period of three years ending in November 2013 with no purchase option. The lease repayment is at a fixed amount over the lease term with no escalation clause.

Minimun lease payments due		
- within one year	152,300	416,693

35. Contracted services

Security Services	2,701,959	2,150,476

36. Bulk purchases

Electricity	29,280,762	29,844,270

Notes to the Financial Statements

Figures in Rand	2013	2012
37. Cash generated from operations		
Deficit	(10,947,551)	(68,532,501)
Adjustments for:		
Depreciation and amortisation	49,262,805	48,037,375
Loss on sale of assets and liabilities	60,000	-
Debt impairment	(8,742,327)	8,110,426
Movements in retirement benefit assets and liabilities	1,988,000	6,090,844
Movements in provisions	-	30,330
Changes in working capital:		
Inventories	(1,327,964)	(207,535)
Other receivables from non-exchange transactions	(523,246)	555,282
Consumer receivables	(16,833,960)	(9,235,691)
Payables from exchange transactions	23,361,655	26,387,291
VAT	741,366	(1,341,061)
Taxes and transfers payable (non exchange)	(43,965)	559,404
Unspent conditional grants and receipts	453,164	4,227,667
	37,447,977	**14,681,831**

Notes to the Financial Statements

Figures in Rand	2013	2012

38. Commitments

Authorised current expenditure

	2013	2012
Approved and contracted for		
- Contractors	1,547,190	-
- Insurance	85,187	-
- Security	3,282,976	-
	4,915,353	**-**

Authorised capital expenditure

	2013	2012
Approved and contracted for		
• Roads, Pavements, Bridges & Stormwater	3,465,373	1,072,942
• Water & Sewer Reticulation	18,979,061	892,460
• Land	315,000	301,774
• Other	193,271	-
	22,952,705	**2,267,176**

	2013	2012
Not yet contracted for and authorised by accounting officer		
• Roads, Pavements, Bridges & Stormwater	-	60,195,793
• Water & Sewerage Reticulation	-	24,512,609
• Street Lighting	-	2,433,760
• Land	-	16,477,201
	-	**103,619,363**

The committed capital expenditure relates to plant and equipment and will be financed by external funds (conditional grants).
The committed current expenditure relates to operating expenditure and will be financed by internal funds.

This expenditure will be financed for 2012/2013 from:

1.) Government Grants R 22 957 704

2.) Own Funds R 4 915 353

This expenditure will be financed for 2011/2012 from:

1.) Government Grants R 2 180 698

2.) Own Funds R 68 037

39. Contingencies

Contingent liabilities
Forthwith is a list of possible liability claims where the outcome was unknown at year end.

1.) Parimolapo Developers CC - The plaintiff claims that a contract between Emakhazeni Local Municipality and themselves had been unlawfully terminated. The claim is for the amount of R 992 774

2.) Collin Zimu and others - this claim relates to injuries sustained by the plaintiff due to an electrical shock received when he entered an unsecured electrical substation while playing outside his house.

Contingent assets

1) SAMWU Provident Fund - this claim relates to a refund due to the Municipality for Provident Fund Contributions made toward members who was found to have transferred to the Municipal Employees Pension Fund. The claim is for the amount of R 3 151 603

Notes to the Financial Statements

Figures in Rand	2013	2012

40. Related parties

No related parties disclosures were received by councillors, management and staff of Emakhazeni.

41. Prior period errors

Nature	Ref note nr	Restated Amount
1,) Understated Long service awards benefits and understated Personnel expenditure, due to no actuarial assessment done prior years.	Note 15	2,335,000
2,) Overstated Payables from exchange transactions (Other creditors) and understated Revenue from exchange transactions (Other income), due to lack of information which lead to wrong allocation.	Note 16	110,000
3,) Overstated Receivables from exchange transactions (Other payables) and overstated Revenue from exchange transactions (Services charges), due a refund on service not delivered wrongly allocated.	Note 21	906
4,) Overstated Unspent grants and understated Revenue from exchange transaction (Other revenue), due to insufficient documents available.	Note 22	682,625
5,) Overstated Payables from exchange transaction(Unallocated receipts) and understated Revenue from exchange transactions (Other revenue), due to overlooking of lack of supporting documentation.	Note 23	229
6,) Overstated Payables from exchange transactions (Other) and understated Revenue from exchange transactions (Other income), due to lack of information which lead to wrong allocation.	Note 23	83,170
7,) Overstated Payables from exchange transaction(Unallocated receipts) and understated Revenue from non-exchange transactions (Donations), due to overlooking of lack of supporting documentation.	Note 24	19,000
8,) Overstated Payables from exchange transactions (Other creditors) and understated Revenue from exchange transactions (Donations), due to lack of information which lead to wrong allocation.	Note 24	381,691
9,) Overstated Payables from exchange transaction(Unallocated receipts) and understated Revenue from non-exchange transactions (Donations), due to overlooking of lack of supporting documentation.	Note 24	409,925
10,) Overstated Receivables from exchange transactions (Other receivables) and understated Finance cost, due to accidental wrong allocation.	Note 25	212
11,) Overstated Payables to exchange transactions (Trade creditors) and understated General expenditure (Employee assistance), due liability created for invoices which was paid by employees themselves.	Note 25	268
12,) Overstated Payables from exchange transactions (Trade creditors) and overstated General expenditure (Audit fees), due to liability created for a duplicate invoice.	Note 25	1,187
13,) Overstated Payables from exchanges transactions (Trade creditors) and overstated General expenditure (Community development), due to incorrect capturing of invoices.	Note 25	5,000
14,) Overstated Receivables from exchange transactions (Other payables) and understated General Expenditure (Other), due to insufficient information available which lead to wrong allocation.	Note 25	7,050
15,) Understated Payables from exchange transaction (Trade creditors) and understated General expenditure. Accidental overlooking of creditor's reconciliation.	Note 25	113,457
16,) Overstated Receivables from exchange transactions (Other receivables) and understated General expenditure (Other expenditure), due to accidental wrong allocation.	Note 25	204,441
17,) Understated Payables from exchange transactions (Deferred revenue) and understated General expenses (Skills development), due to lack of supporting documentation which lead to wrong allocation.	Note 25	411,600
18,) Understated Payables from exchange transactions (Trade creditors) and understated General expenditure (Legal fees), after review of VAT reconciliation if was found that VAT was claimed on legal fees.	Note 25	74,993
19,) Overstated PPE(Landfill site) and overstated Depreciation & amortization. Rehabilitation of landfill sites was incorrectly classified as an asset, where it should have been expensed.	Note 4	1,196
20,) Overstated PPE(MIG work in progress) and understated Payables from exchange transactions, due to a wrong calculation which lead to wrong allocation.	Note 4	1,461,143
21,) Overstated PPE(Landfill site) and understated Repairs and maintenance (Landfill site rehabilitation). Rehabilitation of landfill sites was incorrectly classified as an asset, where it should have been expensed.	Note 4	8,737,725

Figures in Rand	2013	2012

41. Prior period errors (continued)

22,) Overstated Intangible asset and understated Depreciation & amortization, due to a calculation error.	Note 5	1,762
23,) Understated Retirement benefits and understated Personnel expenditure, due to assessment value calculated in prior year was far less.	Note 7	5,435,903
24,) Understated Payables from exchange transaction (Trade creditors) and understated Repairs and maintenance. Accidental overlooking of creditor's reconciliation.	Statement of Performance	1,997
25,)Understated Payables from exchange transaction (Trade creditors) and understated Finance cost. Accidental overlooking of creditor's reconciliation.	Statement of Performance	2,678
26,) Overstated Payables from exchange transaction(Unallocated receipts) and understated Interest received, due to overlooking of supporting documentation.	Statement of Performance	3,135
27,) Understated Payables from exchanges transactions (Trade creditors) and understated Repairs and maintenance, due to overlooking creditors reconciliation.	Statement of Performance	11,970
28,) Overstated Receivables from exchange transactions (Other receivables) and understated Expenditure (Loss of money by theft), due to under banking of cashiers.	Statement of Performance	114,720
		17,957,572

42. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk), cash flow interest rate risk, credit risk and liquidity risk.

Liquidity risk

Emakhazeni manages its liquidity risks by managing its working capital, capital expenditure, external borrowings. Credit facilities in the form of an R1 500 000 bank overdraft facility which has been approved by council is currently being used.

Interest rate risk

Emakhazeni is exposed to interest rate risks on its financial liabilities. In the financial year the municipality had 11 variable interest bearing finance leases with Wesbank, these leases were repaid and therefore at the end of the financial year there were no interest bearing finance leases. Refer to Annexure A.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Currency risk

Emakhazeni is not exposed to any Currency risks as all transactions are undertaken in Rands.

43. Unauthorised expenditure

	2013	2012
Unauthorised expenditure incurred in the current year	-	2,891,190
Unauthorised expenditure incurred in the prior year	8,799,837	5,908,647
Condoned during the year	(8,799,837)	-
	-	**8,799,837**

The unauthorised expenditure for the financial year 2010/2011 and 2011/2012 were condoned by council in the current financial year.

44. Fruitless and wasteful expenditure

	2013	2012
Interest incurred	1,256,343	1,064,094

Notes to the Financial Statements

Figures in Rand	2013	2012

44. Fruitless and wasteful expenditure (continued)

The 2012/2013 fruitless and wasteful expenditure were incurred due to interest paid or to be paid to creditors

The 2011/2012 fruitless and wasteful expenditure were incurred due to interest paid or to be paid to creditors.

45. Irregular expenditure

Details of irregular expenditure condoned

	Condoned by Council	
One quotation received instead of three	Reported to Section 80 on monthly basis	372,895

46. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% per line item is explained below:

1) Other own revenue- the variance is attributable to the fact that the receivable impairment charge decreased in the current year leading to a reversal of R 8 742 326.54 in the current year which is included in the other own revenue figure.

2) Debt impairment - the variance is attributable to the fact that the reveivable impairment charge decreased in the current year leading to a reversal of R 8 742 326.54 in the current year which is included in the other own revenue figure.

3) Transfers and grants - the variance is attributable to the fact that transfers and grants expenditure does not impact the statement of financial performance as it relates to project expenditure. These expenses will be situated in the work in progress figure on the statement of financial position. R 12 799 000 was capitalised to work in progress in the current period.

4) Other expenditure - additional liabilities were raised in the current year for Long Service Awards as well as Post Employment medical aid benefits that were not budgeted for in the budget.

5) Contributions recognised - capital and contributed assets - it is difficult to budget for donations to be received as this amount cannot be reliably estimated. Donations received differs materially from year to year and as such is not included in the budget. In the curren year the municipality received donations in the form of movable and immovable assets as well as inventory from Nkangala District Municipality.

47. Losses

	2013	2012
Electricity losses:		
Total sales in KWH	-	32,051,787
Internal usage in KWH	-	2,340,000
Total KWH sales	-	34,391,787
Total KWH Purchased	-	48,439,136
Losses in Kwh	-	14,047,349
Electricity losses in Rand	**-**	**7,304,621**

	2013	2012
Water losses:		
Total production in mega liters	3,730	3,357
Total sales in mega liters	2,683	2,640
Total loss in mega liters	674	717
Water losses in Rand	**1,853,500**	**1,426,830**

Emakhazeni Local Municipality did not incur any electricty losses in the current period. As at year end the municipality had a reserve of
1 590 000 kilowatt hours.

Notes to the Financial Statements

Figures in Rand	2013	2012

48. Deviation from procurement processes

Refere to Annexure D for the report on deviation from procurement processes.

Emakhazeni Local Municipality
Appendix A
June 2013

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable	Balance at 30 June 2012 Rand	Capitalized during the period Rand	Redeemed/ repayment during the period Rand	Balance at 30 June 2013 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Lease liability			-	-	-	-	-	-
Total external loans			-	-	-	-	-	-

Emakhazeni Local Municipality
Appendix B
June 2013

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation					Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Error: Correction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Errror: Correction Rand	Other changes, movements Rand	Closing Balance Rand	Carrying value Rand
Land and buildings											
Land (Separate for AFS purposes)	77,565,000	-	-	(100,000)	77,465,000	-	-	-	-	-	77,465,000
Landfill Sites (Separate for AFS pursoses)	8,737,725	-	(8,737,725)	-	-	(1,196)	-	1,196	-	-	-
Buildings (Separate for AFS purposes)	30,651,111	5,142,448	-	-	35,793,559	(3,358,202)	(1,118,125)	-	-	(4,476,327)	31,317,232
	116,953,836	**5,142,448**	**(8,737,725)**	**(100,000)**	**113,258,559**	**(3,359,398)**	**(1,118,125)**	**1,196**	**-**	**(4,476,327)**	**108,782,232**
Infrastructure											
Roads, Pavements & Bridges and Storm water	256,863,838	2,250	-	10,652,349	267,518,437	(92,671,185)	(27,466,960)	-	-	(120,138,145)	147,380,292
Electricity meters	3,174,885	1,981,269	-	-	5,156,154	(690,720)	(892,030)	-	-	(1,582,750)	3,573,404
Street lighthing	4,223,529	-	-	2,615,513	6,839,042	(1,047,017)	(577,911)	-	-	(1,624,928)	5,214,114
Water Reserviors & Reticulation	63,787,439	-	-	-	63,787,439	(7,969,651)	(2,649,046)	-	-	(10,618,697)	53,168,742
Water purification	32,452,145	-	-	-	32,452,145	(4,607,903)	(1,511,554)	-	-	(6,119,457)	26,332,688
Water meters	2,272,737	5,892,990	-	5,782,141	13,947,868	(562,063)	(2,918,345)	-	-	(3,480,408)	10,467,460
Electricity Reticulation	37,274,950	-	-	-	37,274,950	(7,462,179)	(2,484,306)	-	-	(9,946,485)	27,328,465
Sewerage purification & Reticulation	76,919,507	5,688,263	-	824,007	83,431,777	(11,183,130)	(4,246,325)	-	-	(15,429,455)	68,002,322
Street names and signs	727,727	-	-	-	727,727	(445,296)	(141,357)	-	-	(586,653)	141,074
Work in progress	10,530,650	12,799,400	-	(19,874,010)	3,456,040	-	-	-	-	-	3,456,040
	488,227,407	**26,364,172**	**-**	**-**	**514,591,579**	**(126,639,144)**	**(42,887,834)**	**-**	**-**	**(169,526,978)**	**345,064,601**
Community Assets											
Parks & grounds	27,000	-	-	-	27,000	-	-	-	-	-	27,000
Sportsfields	1,615,830	-	-	-	1,615,830	(24,027)	(8,000)	-	-	(32,027)	1,583,803

Emakhazeni Local Municipality
Appendix B
June 2013

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation					Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Errror: Correction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Errror: Correction Rand	Other changes, movements Rand	Closing Balance Rand	Carrying value Rand
Community centers	2,340,381	-	-	-	**2,340,381**	(240,093)	(79,940)	-	-	**(320,033)**	2,020,348
Libraries	340,041	-	-	-	**340,041**	(24,028)	(8,000)	-	-	**(32,028)**	308,013
Hostels	17,635,285	-	-	-	**17,635,285**	(1,922,190)	(640,000)	-	-	**(2,562,190)**	15,073,095
Schools	11,441,807	-	-	-	**11,441,807**	(1,057,205)	(352,000)	-	-	**(1,409,205)**	10,032,602
Cemeteries	3,464,308	-	-	-	**3,464,308**	-	-	-	-	**-**	3,464,308
Fire stations	200,000	-	-	-	**200,000**	-	-	-	-	**-**	200,000
Driver and vehicle Testing	1,155,216	-	-	-	**1,155,216**	(126,143)	(42,000)	-	-	**(168,143)**	987,073
Taxi ranks	533,002	-	-	-	**533,002**	(1,202)	(400)	-	-	**(1,602)**	531,400
	38,752,870	**-**	**-**	**-**	**38,752,870**	**(3,394,888)**	**(1,130,340)**	**-**	**-**	**(4,525,228)**	**34,227,642**

Emakhazeni Local Municipality
Appendix B
June 2013

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation					Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Errror: Correction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Errror: Correction Rand	Other changes, movements Rand	Closing Balance Rand	Carrying value Rand
Heritage assets											
War Cemeteries	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets											
Motor vehicles	4,919,131	3,040,300	-	-	**7,959,431**	(2,271,457)	(731,743)	-	-	**(3,003,200)**	4,956,231
Machinery & equipment	71,334	355,927	-	-	**427,261**	(6,553)	(38,013)	-	-	**(44,566)**	382,695
IT Equipment	2,771,650	88,558	-	-	**2,860,208**	(1,284,208)	(323,538)	-	-	**(1,607,746)**	1,252,462
Office Furniture and Equipment	3,658,386	-	-	-	**3,658,386**	(1,554,749)	(393,908)	-	-	**(1,948,657)**	1,709,729
Heavy Duty Vehicles	17,223,841	-	-	-	**17,223,841**	(6,830,462)	(1,730,201)	-	-	**(8,560,663)**	8,663,178
Trailers and Accessories	280,000	-	-	-	**280,000**	(140,135)	(28,000)	-	-	**(168,135)**	111,865
Domestic and Hostel furniture	338,195	-	-	-	**338,195**	(118,232)	(26,036)	-	-	**(144,268)**	193,927
Other	1,462,765	8,362	-	-	**1,471,127**	(545,960)	(162,144)	-	-	**(708,104)**	763,023
	30,725,302	**3,493,147**	**-**	**-**	**34,218,449**	**(12,751,756)**	**(3,433,583)**	**-**	**-**	**(16,185,339)**	**18,033,110**
Total property plant and equipment											
Land and buildings	116,953,836	5,142,448	(8,737,725)	**(100,000)**	**113,258,559**	(3,359,398)	(1,118,125)	1,196	-	**(4,476,327)**	108,782,232
Infrastructure	488,227,407	26,364,172	-	-	**514,591,579**	(126,639,144)	(42,887,834)	-	-	**(169,526,978)**	345,064,601
Community Assets	38,752,870	-	-	-	**38,752,870**	(3,394,888)	(1,130,340)	-	-	**(4,525,228)**	34,227,642
Heritage assets	-	-	-	-	-	-	-	-	-	-	-
Other assets	30,725,302	3,493,147	-	-	**34,218,449**	(12,751,756)	(3,433,583)	-	-	**(16,185,339)**	18,033,110
	674,659,415	**34,999,767**	**(8,737,725)**	**(100,000)**	**700,821,457**	**(146,145,186)**	**(48,569,882)**	**1,196**	**-**	**(194,713,872)**	**506,107,585**

Intangible assets

Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation					Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Errror: Correction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Errror: Correction Rand	Other changes, movements Rand	Closing Balance Rand	Carrying value Rand
Computers - software	1,746,806	-	-	-	**1,746,806**	(919,271)	-	-	-	**(919,271)**	827,535
	1,746,806	**-**	**-**	**-**	**1,746,806**	**(919,271)**	**-**	**-**	**-**	**(919,271)**	**827,535**
Investment properties											
Investment property	27,148,694	-	-	-	**27,148,694**	(172,276)	(494,230)	-	-	**(666,506)**	26,482,188
	27,148,694	**-**	**-**	**-**	**27,148,694**	**(172,276)**	**(494,230)**	**-**	**-**	**(666,506)**	**26,482,188**
Total											
Land and buildings	116,953,836	5,142,448	(8,737,725)	**(100,000)**	**113,258,559**	(3,359,398)	(1,118,125)	1,196	-	**(4,476,327)**	108,782,232
Infrastructure	488,227,407	26,364,172	-	-	**514,591,579**	(126,639,144)	(42,887,834)	-	-	**(169,526,978)**	345,064,601
Community Assets	38,752,870	-	-	-	**38,752,870**	(3,394,888)	(1,130,340)	-	-	**(4,525,228)**	34,227,642
Heritage assets	-	-	-	-	**-**	-	-	-	-	**-**	-
Other assets	30,725,302	3,493,147	-	-	**34,218,449**	(12,751,756)	(3,433,583)	-	-	**(16,185,339)**	18,033,110
Intangible assets	1,746,806	-	-	-	**1,746,806**	(919,271)	-	-	-	**(919,271)**	827,535
Investment properties	27,148,694	-	-	-	**27,148,694**	(172,276)	(494,230)	-	-	**(666,506)**	26,482,188
	703,554,915	**34,999,767**	**(8,737,725)**	**(100,000)**	**729,716,957**	**(147,236,733)**	**(49,064,112)**	**1,196**	**-**	**(196,299,649)**	**533,417,308**

Emakhazeni Local Municipality
Appendix C
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2013

Name of Grants		Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No
Equitable Share		14,853,000	11,883,000	8,912,000	-	-	-	-	-	Yes
Municipal Systems Improvement		800,000	-	-	-	30,301	45,691	20,333	703,675	Yes
Financial Management		1,500,000	-	-	-	415,552	589,478	153,665	341,305	Yes
Municipal Infrastructure		8,498,000	3,903,000	3,528,000	-	334,284	1,039,193	2,799,870	10,847,024	Yes
Integrated National Electrification Programme		-	-	-	-	-	-	-	-	Yes
Expanded Public Works Programme Incentive Grant		566,000	134,000	300,000	-	49,715	221,546	189,937	471,497	Yes
		26,217,000	15,920,000	12,740,000	-	829,852	1,895,908	3,163,805	12,363,501	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

APPENDIX D

DEVIATION FROM PROCUREMENT PROCESSES

NO	NAME OF SERVICE PROVIDER	ACCOUNT TYPE	REASON FOR DEVIATION	AMOUNT PAID (R)
1	T&T HARDWARE CENTRE	MAINTENANCE MUNICIPAL BUILDINGS	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 4,913.47
2	MAGNAVOLT TRADING 819 CC	RETICULATION NETWORK	ONLY TWO SERVICE PROVIDER PROVIDED QUOTATION	R 191,143.80
3	MAGNAVOLT TRADING 819 CC	RETICULATION NETWORK	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 25,559.94
4	MAGNAVOLT TRADING 819 CC	RETICULATION NETWORK	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 32,659.86
5	VOORSPOED SPAARDELE	MATERIAL AND STOCK	ONLY TWO SERVICE PROVIDER PROVIDED QUOTATION	R 4,500.04
6	STRIVING MIND TRADING 581 CC	RETICULATION NETWORK	ONLY TWO SERVICE PROVIDER PROVIDED QUOTATION	R 4,515.09
7	KWENA WATER MANAGEMENT	RETICULATION NETWORK	ONLY TWO SERVICE PROVIDER PROVIDED QUOTATION	R 42,983.30
8	KWENA WATER MANAGEMENT	RETICULATION NETWORK	ONLY TWO SERVICE PROVIDER PROVIDED QUOTATION	R 8,341.95
9	WESTSIDE T/A HEAVY METAL P/HIRE	RENTAL: VEHICLES	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 547.20
10	WESTSIDE T/A HEAVY METAL P/HIRE	RENTAL: VEHICLES	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 364.80
11	WESTSIDE T/A HEAVY METAL P/HIRE	RENTAL: VEHICLES	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 547.20
12	BOM-MACH CC	STREET/BRIDGE/STORMW-DRAINAG	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 802.29
13	MACHADO ENGINEERING AND PROJEC	REPAIR OF MACHINERY & EQUIP	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 399.00
14	COMPUTER STORAGE SERVICES	IT SUPPORT PROGRAMME	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 2,063.17
15	SMASH PANELBEATERS	VEHICLE ACCOUNT	ONLY TWO SERVICE PROVIDER PROVIDED QUOTATION	R 15,000.01

16	PEET'S AUTOLEC	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 750.00
17	GLASFIT	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 5,972.46
18	SOLLY'S MIDDELBURG	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 7,704.03
19	BELFAST EXHAUST	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 266.08
20	BELFAST EXHAUST	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 285.00
21	MEGA TYRES	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 1,100.24
22	MEGA TYRES	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 951.00
23	MEGA TYRES	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 951.00
24	MEGA TYRES	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 1,380.00
25	BELL EQUIPMENT	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 1,247.61
26	BELL EQUIPMENT	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 1,247.61
27	BELL EQUIPMENT	VEHICLE ACCOUNT	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 1,247.61
28	KWENA WATER MANAGEMENT	RETICULATION NETWORK	ONLY ONE SERVICE PROVIDER PROVIDED QUOTATION	R 15,450.76
TOTAL				R 372,894.52